

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 03 MAPUTO 001053

SIPDIS

STATE FOR EB/IFA/OIA - ABRYAN, AF/S - KEES DAVISON

PLEASE PASS USTR

COMMERCE FOR AMANDA HILIGAS

LABOR FOR ILAB - PATRICK WHITE, BOB YOUNG

JOHANNESBURG FOR REGIONAL LABOR OFFICER

E.O. 12958: N/A

TAGS: [EINV](#) [EFIN](#) [ELAB](#) [KTDB](#) [PGOV](#) [MZ](#) [OPIC](#)

SUBJECT: INVESTMENT CLIMATE STATEMENT APPENDIX FOR  
MOZAMBIQUE - 2004

REF: STATE 141379

1. Per reftel, post submits Investment Climate Statement  
(ICS) appendix below:

MOZAMBIQUE: July 2004 Appendix to 2003 Investment  
Climate Statement

This appendix serves as an update to the 2003 Investment  
Climate Statement for Mozambique. It has been provided  
to assist investors in the interim period resulting from  
the U.S. Government's decision to begin publishing the  
Country Commercial Guide (of which the Investment Climate  
Statement is a chapter) on a calendar year basis, in  
January instead of August.

The United States Government has reviewed the 2003  
Investment Climate Statement for Mozambique, and has noted  
the following changes that have occurred since its  
publication. In most circumstances, if a portion of the  
2003 Investment Climate Statement has not been modified in  
this appendix, it is because the U.S. Government is  
satisfied that it continues to accurately reflect the  
state of affairs in Mozambique as of July 2004.

Openness to Foreign Investment:

-----  
Several indicators were published in 2004 that shed light on  
Mozambique's process of business registration. The "Doing  
Business in 2004" Report, by the World Bank, identified  
Mozambique as one of the most difficult countries for  
business establishment, citing an average of 14 steps and 153  
days to register a business.

Privatization has slowed down and impediments remain in the  
privatization of parastatals, largely because these deals are  
politically sensitive. The GRM has indicated that it is  
searching for private investors in the case of Linhas Aereas  
de Mocambique (LAM), Mozambique Telecommunications (TDM), and  
Mozambique Electricity (EDM). To date, this has been a spoken  
initiative with no real action to solicit the interest of  
private firms and move forward.

Conversion and Transfer Policies:

-----  
No significant changes since 2003.

?

Expropriation and Compensation:

-----  
No significant changes since 2003.

?

Disputes Settlement:

-----  
The current commercial code, from 1888, is under revision.  
The National Assembly did not pass newly proposed legislation  
and the Code rests with the Government for refinement. It is  
anticipated the National Assembly will vote on the Code again  
in the Extraordinary Session in October 2004.

Two centers for commercial arbitration, one in Maputo (CACM)  
and a second in Nampula, have opened and are operating  
successfully. These facilities offer arbitration for  
complaints between companies, and do not deal directly with  
labor issues.

?

Performance Requirements and Incentives:

-----  
The GRM identifies "Rapid Development Zones" and grants  
special fiscal, labor, and immigration arrangements for  
companies operating in these zones. Zones, as identified by  
the Investment Promotion Center (CPI) in 2004, include:  
Niassa Province, Nacala District, Ilha de Mocambique  
(Mozambique Island), Ibo Island, and the Zambezi River Valley  
(encompassing parts of Tete, Sofala, and Manica Provinces).  
Investments in these zones are exempt from import duties on  
certain goods, exemption from the real property transfer tax,  
and an investment tax credit equal to 20% of the total  
investment (with a right to carry forward for five years).  
The GRM continues to support development of "industrial free  
zones" (export processing zones). Please see "Foreign Trade  
Zones/Free Ports" heading below.

?

Right to Private Ownership and Establishment:

-----  
No significant changes since 2003.

?

Protection of Property Rights:

-----

Intellectual property right infringement continues to be a relatively insignificant problem in Mozambique due to the small size of the domestic market. There is, however, an increasing number of pirated copies of audio, videotapes, and DVDs and other goods (sunglasses, etc) sold in the informal market.

#### Transparency of the Regulatory System:

-----  
No significant changes since 2003.

?

#### Efficient Capital Markets and Portfolio Investment:

-----  
No significant changes since 2003.

?

#### Political Violence:

-----  
Opposition party members, both from RENAMO and small independent parties, complained of intimidation prior to and during the 2003 municipal elections, but there were no reported cases of political violence. In speaking with political party leaders prior to the 2004 presidential elections, no political violence is expected. Many opposition parties and FRELIMO recently subscribed to an electoral code of conduct to be observed during the 2004 electoral process. Although not legally binding, the code commits the signing parties to avoiding acts of violence during the period.

?

#### Corruption:

-----  
The GRM launched a new Anti-Corruption Unit in the Office of the Attorney General that is charged with investigating and prosecuting corruption-related offenses. The National Assembly passed a new anti-corruption law in 2004 that updates previously antiquated legislation. Civil society has become more vocal on corruption-related issues and is demanding stronger government action. The anti-corruption NGO, Etica Mocambique, was formed to work on ameliorating this problem. Recently, Etica has started a television and print media sensitization program to help citizens identify and protect themselves against cases of corruption.

?

#### Bilateral Investment Agreements:

-----  
The Bilateral Investment Treaty (BIT) between Mozambique and the United States is still awaiting Mozambican ratification in the National Assembly. The UK completed their BIT with Mozambique in March 2004.

#### OPIC and Other Investment Insurance Programs:

-----  
No significant changes since 2003.

?

#### Labor:

-----  
The estimated work force in Mozambique numbers 9.2 million. In 2004, the GRM increased the country's statutory minimum wage by slightly more than the 2003 inflation rate of 13%. The minimum wage for industry, services, and the civil service rose by 14%, from \$41 to \$47 per month. The minimum wage for agricultural workers rose by 15%, from \$29 to \$34 per month. Although the hike for agricultural workers was higher, there is still a significant gap between wages for different groups. Nationwide literacy levels are estimated at 48% with municipal areas accounting for the majority of literate adults.

Labor unions, created during the socialist years, are gaining strength and asserting greater independence from the ruling party, FRELIMO. Total membership among Mozambique's fourteen unions is close to 200,000. With respect to revision of the labor law in 2004-05, labor unions are exerting significant pressure on the GRM to keep many of the law's extremely pro-worker provisions.

?

#### Foreign Trade Zones/Free Ports:

-----  
The two essential requirements for Industrial Free Zone status are: job creation for Mozambican nationals and the exportation of at least 85% of annual production. Industrial Free Zone Developers enjoy an exemption from customs duties, VAT, and Specific Consumption Tax on the importation of construction materials, machinery, equipment, accessories, accompanying spare parts, and other goods destined for the establishment of the Industrial Free Zone. Mozambique's big commercial success stories, such as MOZAL and SASOL, operate in industrial free zones.

LA LIME